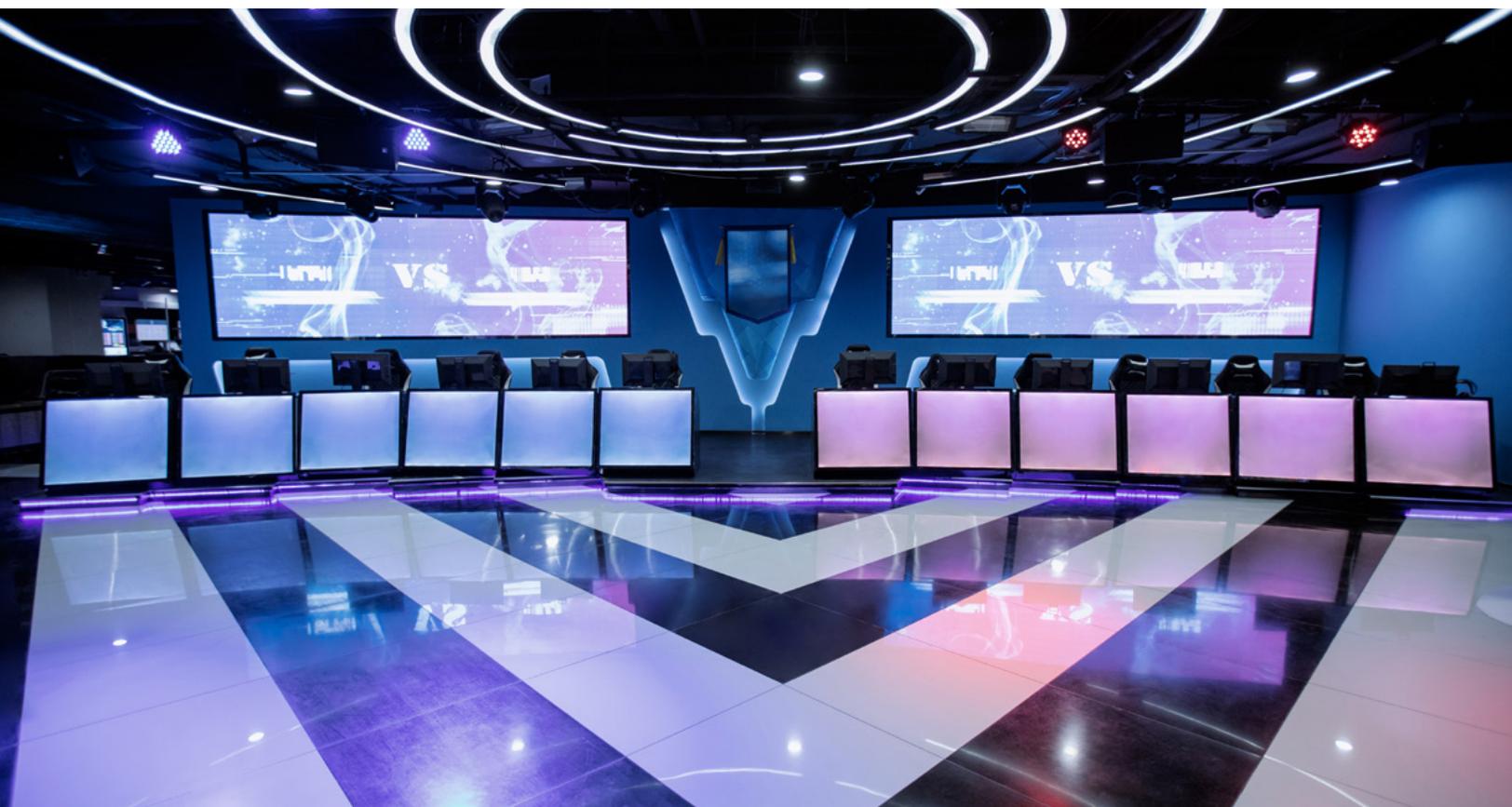


Marketing & Sales Practice

# Esports and the next frontier of brand sponsorships

Data from Germany and Western Europe indicate that sponsorship of esports can open a valuable marketing channel for brands that know how to use it.

*by Uta Allenstein, Oliver Gediehn, Sascha Lehmann, and Dan Singer*



**On November 10, 2019**, tens of thousands of young fans gathered in the sold-out AccorHotels Arena in Paris while 44 million viewers watched in 16 languages on over 20 platforms.<sup>1</sup> Together they witnessed professional athletes compete for millions of dollars in prize money—by playing a computer game. While this is hard to imagine for some CMOs, it is very normal for others, especially millennials and younger generations.

By now, it has become clear that the phenomenon of esports is not just hype but a global industry that is here to stay. Although COVID-19 has temporarily ended in-person esports events, the crisis has shown that their popularity has not just endured but grown. Many leagues are continuing their formats online, and Counter-Strike: Global Offensive (CS:GO) hit new all-time player records with more than a million concurrent players in March 2020. Additionally, our German consumer survey shows

that participation by heavy users—those who play/consume more than once a week—increased by about 30 percent (Exhibit 1).

These examples demonstrate the agility of esports and could position it as an even more interesting channel for marketing leaders looking to rethink their sponsorship portfolio.

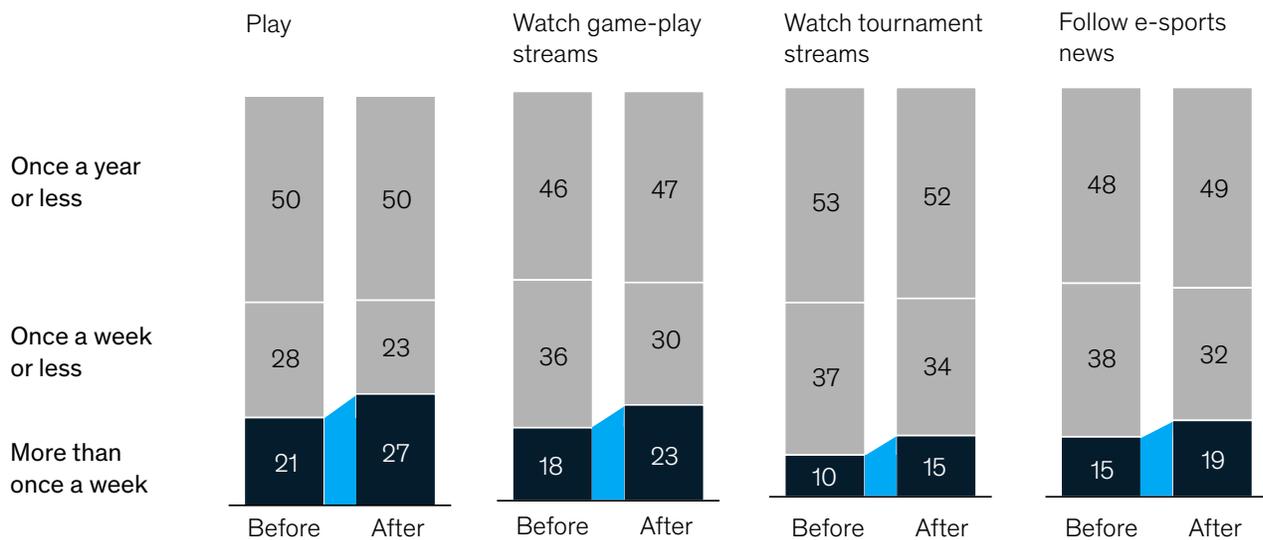
For nonendemic brands (those that aren't part of the esports ecosystem of game developers, game publishers, or hardware manufacturers) considering sponsoring esports, there is good news. While some CMOs of nonendemic brands worry that their sponsorships won't stand out compared to endemic sponsors, a survey in Germany from December 2019 shows that's not necessarily the case. Recall of nonendemic brand sponsors in esports has increased over the past

<sup>1</sup> LOL Esports staff, "2019 world championship hits record viewership," League of Legends, January 2020, nexus.leagueoflegends.com.

Exhibit 1

**The share of German heavy users who play/consume more than once a week has increased by about 30% during the COVID-19 crisis.**

**E-sports consumption before and after COVID-19, %**



Source: Online survey among Germans familiar with the term "e-sports," n = 970, April 2020

ten years and was recently higher (53 percent) than for endemic brands (43 percent).

This report digs into esports trends and insights in Western Europe (which has a 23 percent share of global esports revenue<sup>2</sup>) and is based on McKinsey research on esports globally<sup>3</sup> and in the German market in particular.<sup>4</sup>

## 1. Esports is big and getting bigger

Esports already has a considerable market size, surpassing many traditional sports in terms of both revenue and viewership. Globally, the industry hit \$950 million in revenue in 2019 and is expected to reach \$1.1 billion in 2020. Most of the revenue (58 percent) is forecast to come from sponsorships, which grew an estimated 17 percent compared with 2019.<sup>5</sup> The esports audience is projected to hit close to 500 million enthusiasts and occasional viewers in 2020. Combined, these numbers reflect more than 15 percent growth in revenue and more than 10 percent in audience size year over year.

Esports differ from traditional sports in many respects, including:

1. Simulations of “on-the-field” and “on-the-court” sports, like the FIFA or NBA2k video game series, are far less watched than other genres. In 2019, people across the world watched over one billion hours of each of League of Legends and Fortnite on Twitch but only 165 million hours of FIFA.<sup>6</sup>
  2. New games are continuously disrupting the esports market, and for some, the fan following is immediate. Just nine months after Fortnite launched in September 2017, 125 million people had played, while Apex Legends hit one million
- *Fans of mature esports* (League of Legends, CS:GO) are drawn to self-help products and services and are interested in e-commerce, business, and fast cars.
  - *Fans of newer esports* (Fortnite, Overwatch) have a distinctive emphasis on personal outward appearance.
  - *Fans of sports-simulation games* (FIFA) are highly interested in a wide variety of sports and care about their personal health.

players in just eight hours after launching in February 2019 and 50 million players in one month. On April 7, 2020, the closed beta of the new game Valorant launched and was watched for a total of 34 million hours by 1.7 million peak concurrent viewers on this single day.

## 2. Not all esports fans are the same

Who are these esports fans? Age, education, and income demographics suggest that many are about to start jobs with an above-average salary: esports is mostly consumed by young (on average 26 years of age), tech savvy, and highly educated males (over 70 percent),<sup>7</sup> making sponsorship an opportunity for a company to not only advertise its product but also to promote its brand as an employer.

The esports audience, however, is not homogenous across games. Brands should assess thoroughly which segment they want to address. In one case, we used artificial-intelligence-driven consumer insights from social-media listening and compared affinity data of esports fans to the overall online population in Germany. This revealed four clusters, in an array that clearly describes distinctive lifestyle interests based on the esports category:

<sup>2</sup>2020 global esports market report, Newzoo, 2020, newzoo.com.

<sup>3</sup>Key insights into cost and reach of esports sponsorships come from two sources: our case partner, ESL, and industry publications. ESL (about.eslgaming.com) was established in 2000 and has become one of the largest organizers and producers of esports competitions around the world.

<sup>4</sup>The elements of our research in the German market included lessons learned by helping a nonendemic German brand develop its esports sponsorship strategy; consumer insights gleaned from listening to social media to better understand the other interests of the esports audience; two consumer surveys in Germany: the first, on the reputation of esports and of brands in esports, included more than 1,000 respondents who were familiar with the term “esports”; the second, on brand memorability, questioned 1,000 gamers who expressed an interest in esports.

<sup>5</sup>Newzoo, loc.cit.

<sup>6</sup>SullyGnome, “Twitch statistics and analysis,” sullygnome.com.

<sup>7</sup>The esports playbook: Maximizing your investment through understanding the fans, Nielsen Sports, 2017, niensensports.com.

- Fans of niche esports (StarCraft II) are interested in literature and gathering knowledge, travel, and using smart devices.

### 3. Viewership metrics need a close look

When it comes to reaching this audience, however, brands need to understand how to interpret the data. Reports of total audience reach for esports events, for example, are usually directly derived from streaming platforms and are typically inflated. Those numbers need to be evaluated and adjusted to a meaningful measure of relevance to your sponsorship goal. Exhibit 2 illustrates how an initially reported gross reach of more than 1.5 billion impressions was corrected to 2.2 million unique impressions for the desired customer segment (18-to-29 years of age in Germany). While the total relevant reach of traditional sports assets in our example portfolio was bigger, it was also less targeted and therefore less cost effective than the esports sponsorship in reaching this particular audience.

### 4. Risks exist but can be managed

As with any sponsorship, there are risks. For esports, brands should assess which risks need

to be taken seriously and which are common misconceptions.

*Authenticity:* It is important to have an activation strategy, such as sponsoring an MVP award for best game-play moments, contributing to a game-related giveaway, or providing game-specific analytics. But with esports, authenticity is particularly crucial. While prominently placed sponsors of ESL tournaments are four times more memorable than those without prominent placement, that prominence can backfire if the sponsorship isn't credible or doesn't convey a true interest in the esports world.

*Industry volatility:* Esports is a volatile industry. New game titles, teams, and streamers emerge and fade much faster than in traditional sports. Players join and leave teams just as they do in any other sports, but fan loyalty tends to be with the player rather than the team.

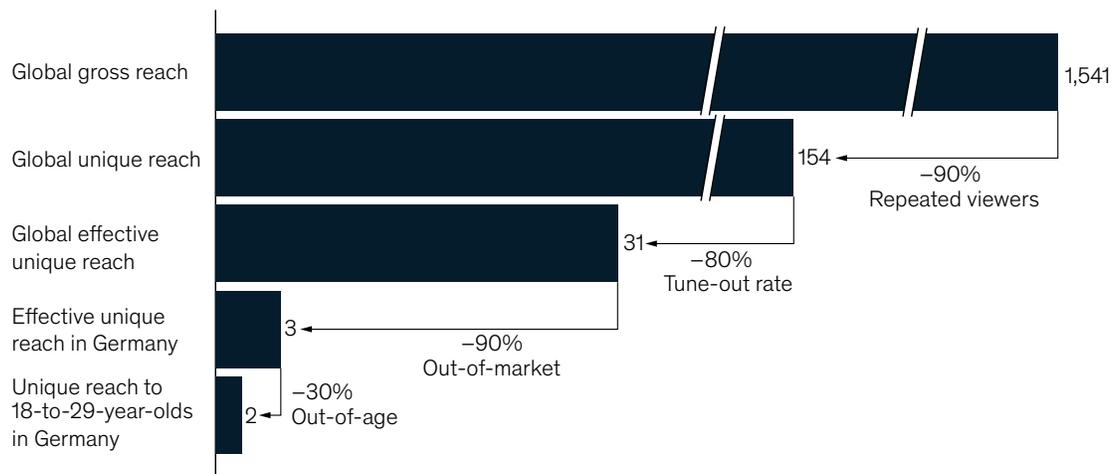
To stay on top of these developments, brands need to have more than just basic esports knowledge. Given the high number of esports fans, it is likely you already have esports enthusiasts on your brand-management or sponsorship team without even knowing it.

Exhibit 2

### True audience reach can narrow significantly from overall numbers.

#### Reach analysis for an international major tournament series

In million impressions



Involving them will make it much easier to identify new trends, use the right language with your audience, and have an insider opinion on campaign ideas. Individual knowledge, of course, needs to be supported by rigorous analysis of new trends and developments, as well as the actual performance of the assets in your portfolio.

*Reputation:* Some brands are also concerned that reputational risks could arise with their existing customer base from engaging in esports, especially games that contain realistic-looking violence. However, our German consumer survey showed that not to be the case. Some 90 percent of consumers who know what esports are had positive or neutral views of them. Only 5 percent found the engagement of a brand in esports to be negative. Furthermore, of that 5 percent, fewer

than a tenth could accurately name the brand. In contrast, brand memorability is high with the esports enthusiast. Thus, while it's important to be aware of this kind of potential risk and assess it thoroughly in each specific context, the actual degree of risk doesn't appear to be significant for the average German consumer.

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Esports sponsorship is effective at reaching a young and tech-savvy audience as an additional marketing channel. With minimal setup, a modest investment, and often as few as one to two sponsoring experts dedicated to esports within an existing sponsorship team, brands can quickly develop a pilot sponsorship to build knowledge and credibility in esports.

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